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Message Text

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INFO OCT-01 EA-07 ISO-00 AGR-05 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 L-03 STR-04 IO-11

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EB/IFP/ODF:NRIEGG
TREASURY:WBEREDA/HGALE
---------- 101477
R 240314Z FEB 76
FM SECSTATE WASHDC
TO AMEMBASSY KUALA LUMPUR
INFO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 043888

E.O. 11652: GDS

TAGS: EPAP, EAGR, MY

SUBJECT: PALM OIL: POSSIBLE USG RESTRICTIONS ON IMPORTS

REF: KUALA LUMPUR 0445

1. IN RESPONSE TO INQUIRIES CONCERNING POSSIBLE RE-
STRICTIONS ON U.S. PALM OIL IMPORTS, EMBASSY SHOULD REPLY
THAT US GOVERNMENT IS NOT ACTIVELY CONSIDERING ANY CHANGES
IN THE PRESENT POLICY UNDER WHICH PALM OIL IS IMPORTED
FREE OF QUANTITATIVE RESTRICTIONS.

2. FOR EMBASSY'S INFORMATION, SOME DOMESTIC INDUSTRY
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SOURCES HAVE BEEN SUGGESTING CONSIDERATION OF A VOLUNTARY

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IMPORT CONTROL PROGRAM SIMILAR TO THOSE WHICH HAVE BEEN WORKED OUT WITH NATIONS SUPPLYING BEEF AND TEXTILES- HOWEVER, WE DO NOT BELIEVE A VOLUNTARY RESTRAINT ARRANGEMENT IN OILS, EVEN IF IT COULD BE NEGOTIATED, WOULD BENEFIT AMERICAN PRODUCERS. RESTRICTIONS ON ACCESS TO THE U.S. MARKET WOULD BE EXPECTED TO DIVERT PALM OIL EXPORTS TO OTHER MARKETS WHERE THEY WOULD CONTINUE TO COMPETE WITH OILS PRODUCED IN THE U.S. FURTHERMORE, RESTRICTION HERE WOULD LIKELY PROMPT RESTRICTIONS BY OTHER IMPORTANT IMPORTERS ON ACCESS TO THEIR MARKETS WHICH WOULD ONLY ADVERSELY AFFECT ALL TRADE IN EDIBLE OILS.

3. ALSO FOR EMBASSY'S INFORMATION, WE ARE CONTINUING TO EVALUATE ALL REQUESTS FOR INTERNATIONAL FINANCING ON A CASE-BY-CASE BASIS ACCORDING TO STRICT ECONOMIC CRITERIA AS WELL AS THE DEVELOPMENT PLANS OF BORROWING NATIONS. IN CONSIDERING LOANS FOR PALM OIL PROJECTS, BOTH THE DEVELOPMENT BANKS AND THE U.S. GOVERNMENT HAVE TO BE CONVINCED THAT SATISFACTORY WORLD DEMAND EXISTS FOR THE NEW PRODUCTION AND THAT THE PRODUCTION OF PALM OIL IS AN ECONOMICALLY VIABLE ENTERPRISE FOR THE COUNTRY INVOLVED. THE MOST RECENTLY AVAILABLE COMPREHENSIVE STUDY ON THE SUPPLY/DEMAND BALANCE, PRODUCED BY THE WORLD BANK IN AUGUST 1975, CONCLUDES THAT EFFECTIVE WORLD DEMAND FOR EDIBLE OILS IS SUFFICIENT TO ABSORB PLANNED INCREASES IN PRODUCTION WITHOUT UNDUE MARKET DISRUPTION. HOWEVER PALM OIL PRODUCTION GROWTH HAS BEEN HIGHER, WHILE AT THE SAME TIME CONSUMPTION GROWTH HAS BEEN LOWER, THAN THE TREND ANTICIPATED BY THE WORLD BANK. FOR THIS REASON WE PLAN TO REQUEST THE INTER-GOVERNMENTAL GROUP ON OILSEEDS, OILS AND FATS, FAO, TO REVIEW FUTURE PROSPECTS FOR THE WORLD VEGETABLE OIL MARKET WHILE THE ECONOMIC RESEARCH SERVICE OF USDA ALSO UNDERTAKES A FURTHER STUDY. INGERSOLL

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